



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR OCTOBER 22, 2004

A Nigerian Labor Congress official stated that another general strike in Nigeria is still possible unless unions achieve a deal with the government over fuel prices. Unions have been in talks with the government on measures to cushion the impact of increasing prices and plan to hold a meeting on Tuesday to decide their next step.

International oil companies have started talks with Iraq about obtaining data on the country's oilfields as a step towards proposing production sharing deals. Oil officials said oil majors such as BP and Shell Group expressed interest in specific fields and could be in a position to obtain production sharing deals after the election of a permanent government in January.

MEES reported that Iraq is discussing with Japan possible financing for rehabilitation of its oil sector. It said talks were still at an early stage however projects proposed by Iraq's

Market Watch

The NYMEX announced that it will increase margins on its December 2004 through March 2005 light, sweet crude futures contracts and calendar swap futures contracts from \$4,050 to \$4,725 for customers. Margins on the e-miNY crude oil futures contracts will increase from \$2,025 to \$2,363. Also margins on the first month of the heating oil futures and calendar swap futures contracts will increase to \$5,400 from \$4,725 for customers while margins on the second through sixth months will increase to \$5,063 from \$4,388 for customers. Margins on its New York Harbor heating oil crack spread calendar swap futures margins for the first through sixth months will increase to \$3,426 for customers.

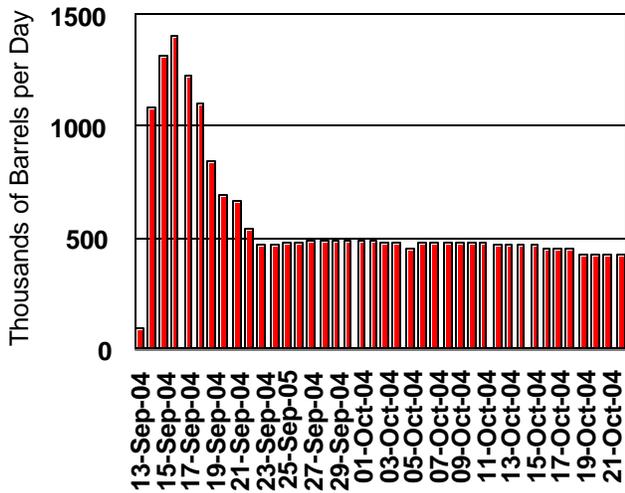
Separately, the NYMEX said it has committed to a one year lease on a trading floor in Dublin, but may move its open outcry trading to London following the end of the lease. Earlier this week, the NYMEX announced that it was planning to start trading its Brent contract in Dublin. The move is the latest effort by the NYMEX to challenge the IPE's market share and move into the futures market built around Brent crude. Exchange officials said they ideally would like to move to London to compete directly with the IPE but believed obtaining approvals to start an exchange there would take more time than launching the floor in Dublin. The NYMEX also stated that it will offer incentives, including a fee waiver, for traders and brokers to trade its Brent crude futures contract in Dublin. A NYMEX spokesman said there will be a fee holiday for three months and a \$1,000 per week stipend to cover expenses for individual who demonstrate a commitment to trading. Meanwhile an informal meeting of IPE board members took place on Friday to discuss plans by rival NYMEX to launch an open outcry Brent contract in Dublin however no decision was made. A series of meetings is scheduled for next week between brokers and IPE chief executive Richard Ward.

London's IPE has postponed the launch of its European carbon emissions futures until at least early 2005 due to delays in finalizing the contract. The contracts had been due to be offered by early November, ahead of the start of a European Union wide emissions trading scheme in January.

Star Gas Partners LP faces three shareholder lawsuits, alleging securities law violations after the company said its Petro Heating Oil would not meet borrowing conditions and may need interim financing and bankruptcy protection due to high oil prices and customer attrition.

According to Bloomberg, China's economy expanded 9.1% in the third quarter, down from 9.6% in the second quarter.

USG Crude Oil Production Shut In
Basis Reports from MMS
Combined Shut in from Ivan 23.42 MMB



ministry of oil for possible financing included rehabilitation of compressor stations in the north, export infrastructure and work on refineries in the North and in Basra.

OPEC's news agency reported that OPEC's basket of crudes increased by 74 cents/barrel to \$46.61/barrel on Thursday compared with \$45.87/barrel on Wednesday.

The managing director of the IMF said Rodrigo Rato said rising oil prices pose an increasing risk to the world economy and will have a visible impact on world economic growth next year. However he stated it was too early to revise the IMF's growth forecasts to account for the impact of record high oil prices.

Refinery News

BP will shut its 30,000 bpd fluid catalytic cracker at its Lavera refinery in southern France for five weeks starting early November. The scheduled turnaround follows a six week shutdown in May to July this year at

the refinery's crude distillation unit.

Production News

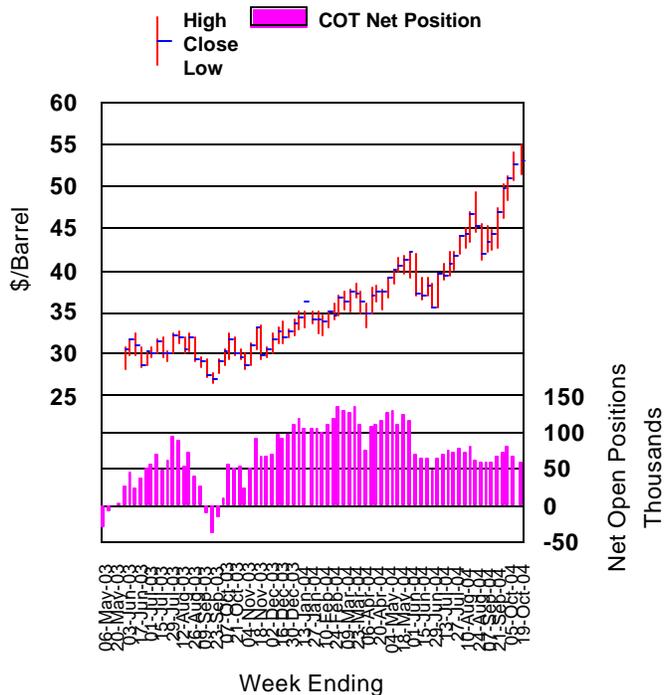
The MMS reported that there was some small improvement in the amount of production shut in the Gulf of Mexico. It said there was still 426,172 bpd of crude shut in on Friday, down from 428,785 bpd on Thursday. It also stated that there was still about 1.521 bcf/d of natural gas still shut in.

Kinder Morgan Energy Partners, LP resumed operations on its Los Angeles-Las Vegas light refined products pipeline late Thursday while its pipeline extending to Phoenix returned to service early Friday morning. The Southern California pipelines were shut due to heavy rains that caused a train derailment and also exposed a portion of the company's pipelines in the area.

Baker Hughes reported that the number of rigs searching for oil and natural gas in the US increased by 25 to 1,250 in the week ending October 22nd. The number of rigs searching for oil in the US increased by 11 to 178 while the number of rigs searching for natural gas increased by 14 to 1,071.

Crude loadings at Russia's Baltic port of Primorsk is expected to exceed 1 million bpd in November for the first time. Its loading are seen at 1.03 million bpd in November compared with 993,000 bpd in October. Meanwhile, the Black Sea port of Novorossisk was seen loading 3.7 million tons or 905,000 bpd in November against 928,000 bpd in scheduled loadings in October.

NYMEX Crude Oil
Spot Weekly Price (Wednesday-Tuesday)
Vs Non Commercial Reportable Position(Futures & Options)



Russia's Lukoil revised its long term strategic plan but kept its short term output goals unchanged at the first board meeting since its merger with ConocoPhillips. Lukoil said it still saw output growth slowing next year to 4% from an expected 7-8% this year and forecast 2005 production of 90.2 million tons or 1.81 million bpd. It said exports including supplies to Lukoil's refineries outside Russia would increase by 11% in 2005 to 49 million tons. Separately, Lukoil plans to invest \$300 million in the second stage of the investment program for the Lukoil-Odessa refinery. The second stage, to be implemented in 2005-2009, envisages upgrading the refinery's facilities.

Oil and oil product exports from Ukraine's Theodosia port fell by 50% to 4.052 million tons in the first nine months of the year to due to low supply from Russia's Yukos.

Azerbaijan does not intend to stop oil transit through Russia via the Baku-Novorossiisk pipeline after the launch of the Baku-Tbilisi-Ceyhan oil pipeline in 2005.

Indonesia's Pertamina has increased its gas oil imports for November by 28% cut its fuel oil purchases by 50%. It purchased 5.9 million barrels of gas oil for November delivery against 4.6 million barrels in October while its fuel oil imports have been cut to 400,000 barrels in November compared with 800,000 barrels in October.

Market Commentary

The crude market gapped higher as it opened at its intraday low of 54.70 and never looked back in follow through buying seen in overnight trading when it posted a high of 55.00. The market quickly breached its overnight high and settled in a range from 55.10 to 55.45 for most of the day. However the market later breached its resistance and traded to a new record high of 55.50 as traders covered their positions ahead of the weekend. The December crude contract retraced some of its late gains and settled up 70 cents at 55.17. The market traded to its new high despite the announcement that the NYMEX was increasing its crude futures margins by 17% following today's close. Volume in the crude market was light with 160,000 lots booked on the day. Unlike the previous trading sessions, the gasoline market was driving the complex higher. It settled up 2.54 cents at 143.76 after it gapped higher from 141.50 to 141.80. The market posted its low and never looked back as it rallied to a high of 144.30 within the first hour of trading on relatively light volume trading. The market held good support at 143.15 and traded to a high of 144.50 before it retraced some of its gains ahead of the close. The heating oil market also posted its intraday low of 158.20 early in the session and never looked back as it continued to be supported by fears over winter supplies. The market traded to a high of 160.20 and settled in a range as it held good support at 158.90. The market later traded to its new record high of 158.30 before it settled up 1.49 cents at 159.44. Volume in the product markets were good with 43,000 lots booked in the gasoline and 47,000 lots booked in the heating oil market.

According to the latest Commitment of Traders report, non-commercials in the crude market continued to cut

Technical Analysis		
	Levels	Explanation
CL	Resistance 55.17, up 70 cents	57.06, 58.15 55.50 Bollinger band, Basis trendline Friday's high
	Support	54.70 to 54.60 54.01, 52.70, 51.95 Opening gap (October 22nd) Previous lows
HO	Resistance 159.44, up 1.49 cents	163.44 160.30 Basis trendline Friday's high
	Support	158.20, 155.50 154.25, 150.70 Friday's low, Thursday's low Previous low
HU	Resistance 143.76, up 2.54 cents	149.30, 150.00 144.50 Bollinger band, basis trendline
	Support	141.80 to 141.50 139.40, 135.70 Opening gap (October 22nd) Previous lows

their net long positions from 24,765 contracts to 22,344 contracts in the week ending October 19th. Non-commercials cut their total long positions by 8,741 contracts to 117,650 contracts on the week. The combined futures and options report

also showed that non-commercials cut their net long positions from 67,016 to 60,766 contracts on the week. However given the market's move higher in the last three trading sessions, non-commercials have likely increased their net long positions once again. Similarly, non-commercials in the product markets cut their net long positions on the week. Non-commercials in the gasoline market cut their net long positions from 21,058 contracts to 15,808 contracts while non-commercials in the heating oil market cut their net longs from 6,877 contracts to 5,967 contracts.

The market next week is still seen remaining supported until the market sees supportive inventory reports. Technically, the oil market is seen finding resistance at its high of 55.50 followed by more distant resistance at 57.06 and 58.15. Meanwhile support is seen at its opening gap from 54.70-54.60 followed by its low of 54.01. More distant support is seen at 52.70.